

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Clinton	County Macomb
Audit Date March 31, 2006	Opinion Date May 26, 2006	Date Accountant Report Submitted To State: September 29, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address River Ridge Corporate Center, Suite 300, 19176 Hall Road		City Clinton Township	State MI
Accountant Signature 		ZIP 48038	

# **Charter Township of Clinton Macomb County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2006**

# Charter Township of Clinton

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# Charter Township of Clinton

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Clinton, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Clinton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Clinton as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules, and pension system schedule of funding progress and employer contributions (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Clinton's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2006 our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

May 26, 2006

# Charter Township of Clinton

## Management's Discussion and Analysis

### Introduction

This discussion and analysis is included with the Charter Township of Clinton's financial report to provide an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

### Overview of this Annual Report

The basic financial statements that follow consist of two series of financial statements and a section entitled notes to financial statements. The notes section is to be read in conjunction with and is an integral part of each financial statement included within both series.

The first and shorter of this series provides information about the activities of the Charter Township of Clinton on a government-wide basis. The statements in this series consist of a statement of net assets and a statement of activities. This entire series is presented on pages 9-11. These statements are presented on a full accrual basis which is designed to present a longer-term view of the Township's finances. Unlike the more traditional fund-based financial statements, all activities reflected in these statements reflect the Township's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period's depreciation as an expenditure. The second of these two series is presented on pages 12-23. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. These statements illustrate how the services provided by the Township were financed in the short term. Additionally, these fund financial statements report the Township's operations in more detail than the government-wide financial statements.

### Government-wide Financial Statements

In a condensed format, the following table shows the comparison of net assets (in thousands) as of March 31, 2006 from the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Current Assets</b>	\$ 38,232.7	\$ 35,146.6	\$ 22,495.0	\$ 23,195.6	\$ 60,727.7	\$ 58,342.2
<b>Noncurrent Assets</b>						
Restricted assets	657.3	1,584.6	1,238.3	1,249.4	1,895.6	2,834.0
Special assessments	-	-	1,013.7	1,539.1	1,013.7	1,539.1
Capital assets	35,914.2	36,344.6	114,972.0	111,240.1	150,886.2	147,584.7
Total assets	74,804.2	73,075.8	139,719.0	137,224.2	214,523.2	210,300.0
<b>Liabilities</b>						
Current liabilities	4,906.8	5,071.4	4,320.5	5,754.7	9,227.3	10,826.1
Long-term liabilities	23,371.5	24,223.4	23,989.4	25,725.8	47,360.9	49,949.2
Total liabilities	28,278.3	29,294.8	28,309.9	31,480.5	56,588.2	60,775.3

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

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### Net Assets

Invested in capital assets - Net of related debt	\$ 14,789.8	\$ 15,114.5	\$ 91,329.9	\$ 86,085.4	\$ 106,119.7	\$ 101,199.9
Restricted	24,253.7	23,745.0	1,573.2	3,650.1	25,826.9	27,395.1
Unrestricted	<u>7,482.4</u>	<u>4,921.5</u>	<u>18,506.0</u>	<u>16,008.2</u>	<u>25,988.4</u>	<u>20,929.7</u>
Total net assets	<u><b>\$ 46,525.9</b></u>	<u><b>\$ 43,781.0</b></u>	<u><b>\$ 111,409.1</b></u>	<u><b>\$ 105,743.7</b></u>	<u><b>\$ 157,935.0</b></u>	<u><b>\$ 149,524.7</b></u>

Total net assets related to the Township's governmental activities increased by approximately \$2,745,000. The unrestricted portion of net assets increased by approximately \$2,561,000 and the restricted portion increased by approximately \$509,000. These increases resulted primarily from the results of 2006 operations when adjusted for depreciation. Net assets invested in capital assets net of related debt decreased by approximately \$325,000 primarily as a result of depreciation adjusted for new asset acquisitions and debt retirement.

The following table shows the changes in net assets (in thousands of dollars) during the year ended March 31, 2006:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 6,499.2	\$ 5,497.7	\$ 27,365.7	\$ 25,502.4	\$ 33,864.9	\$ 31,000.1
Operating grants and contributions	1,759.6	1,493.9	2.1	7.0	1,761.7	1,500.9
Capital grants and contributions	50.0	119.6	-	1,753.2	50.0	1,872.8
General revenue:						
Property taxes	31,157.9	29,465.5	-	-	31,157.9	29,465.5
State-shared revenue	8,031.1	8,793.4	-	-	8,031.1	8,793.4
Interest	724.7	395.1	840.9	357.1	1,565.6	752.2
Gain on sale of assets	-	39.3	-	-	-	39.3
Miscellaneous	<u>1,220.6</u>	<u>1,156.4</u>	<u>-</u>	<u>-</u>	<u>1,220.6</u>	<u>1,156.4</u>
Total revenue	49,443.1	46,960.9	28,208.7	27,619.7	77,651.8	74,580.6



# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Program Expenses</b>						
General government	\$ 5,400.1	\$ 6,826.0	\$ -	\$ -	\$ 5,400.1	\$ 6,826.0
Public safety	31,887.8	29,045.5	-	-	31,887.8	29,045.5
Public works	4,660.2	4,844.7	-	-	4,660.2	4,844.7
Recreation and culture	1,805.6	1,804.2	-	-	1,805.6	1,804.2
41-B District Court	2,222.5	2,161.5	-	-	2,222.5	2,161.5
Interest on long-term debt	1,004.9	1,053.3	-	-	1,004.9	1,053.3
Water and sewer	-	-	16,632.6	15,868.2	16,632.6	15,868.2
Senior housing	-	-	1,411.4	1,380.7	1,411.4	1,380.7
Sanitation	-	-	3,942.2	3,823.7	3,942.2	3,823.7
Special assessments	-	-	274.2	140.6	274.2	140.6
Total program expenses	46,981.1	45,735.2	22,260.4	21,213.2	69,241.5	66,948.4
<b>Change in Net Assets - Before transfers</b>	2,462.0	1,225.7	5,948.3	6,406.5	8,410.3	7,632.2
<b>Transfers</b>	282.9	1,511.4	(282.9)	(1,511.4)	-	-
<b>Change in Net Assets</b>	2,744.9	2,737.1	5,665.4	4,895.1	8,410.3	7,632.2
<b>Net Assets - Beginning of year</b>	43,781.0	41,043.9	105,743.7	100,848.6	149,524.7	141,892.5
<b>Net Assets - End of year</b>	<u>\$ 46,525.9</u>	<u>\$ 43,781.0</u>	<u>\$ 111,409.1</u>	<u>\$ 105,743.7</u>	<u>\$ 157,935.0</u>	<u>\$ 149,524.7</u>

State-shared revenue, our second largest source of general government revenues, continued to be reduced by the State of Michigan. The amount received from the State during the 2006 fiscal year was approximately \$2,150,000 less than the Township received in the 2002 fiscal year. The Township reacted by leaving 11 more positions vacant, bringing the total positions cut from the budget to 37.

Governmental activities include those activities accounted for in the following funds:

General Fund	Fire Fund
Capital Improvement Revolving Fund	Police Fund
Community Development Block Fund	Drainage Fund
Drug Forfeiture Fund	Postemployment Benefit Fund
Building Authority	Street Lighting Fund
Fire Facility Capital Projects Fund	Police Facility Debt Service Fund

Such activities include those of the Township's police and fire departments, public works, recreation, building, and planning and assessing departments. Also included are the 41B District Court and administrative departments.

Property taxes are the primary source of revenue for these governmental activities, providing approximately 63 percent of the total. State-shared revenue provides another 16 percent, user charges and grants provide 17 percent, leaving just 4 percent being provided by all other sources.

# **Charter Township of Clinton**

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## **Management's Discussion and Analysis (Continued)**

Until the 2002-2003 fiscal year, the Township's governmental activities enjoyed decades of financial prosperity with annual revenues normally exceeding expenditures. Subsequently, the Township was affected by a national economic downturn and State of Michigan budget shortfalls that exceeded \$1 billion. The Township continues to be affected by a state economy that has failed to recover from the downturn and the inability of the State of Michigan to improve its budget shortfalls.

Specific details of how these economic conditions affected specific Township funds can be found in the fund-based financial statements section, which follows.

Business-type activities are accounted for in the Township's Water and Sewer, Sanitation, Senior Housing, and Special Assessment Funds.

The Township's Water and Sewer Fund's financial performance has been sound for decades. The Township purchases 99 percent of its water from the City of Detroit and sewage treatment services are also provided by the City of Detroit through an operating agreement with the County of Macomb. The Township has adopted the policy of annually reviewing its water and sewer rates and passing along cost increases, including increases received from Detroit, to its customers. Despite this policy, the Township maintains water and sewer rates that are very competitive with neighboring communities. The system has enjoyed steady growth, ongoing and aggressive maintenance, and sound coverage of its debt.

Highlights related to other business-type activity funds can be found in the fund-based financial statements section, which follows.

### **Fund-based Financial Statements**

The fund-based financial statements provide detailed information about individual significant funds created by the Township to help segregate money for specific purposes as well as to show accountability for certain activities. While the government-wide financial statements attempt to give the reader a simple overview of the Township's finances, to achieve a more complete understanding it is necessary to consider matters such as tax assessments or fund balances that are restricted, either by law or policy, to certain activities or funds. Users of this financial report will best achieve this understanding from the fund-based statements.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

### Financial and Budgetary Highlights

**General Fund** - When preparing the 2006 budget and over the course of the year, the Township Board and administration had to continuously look for areas to trim expenditures. The originally adopted 2006 budget was balanced by removing 25 positions which were vacant through attrition. During the fiscal year, 11 more positions, including six in police, were not filled as employees retired or quit. These newly vacant positions, along with a lower Police Fund subsidy (which in part resulted from the six Police Fund positions cut), and careful spending resulted in a favorable budget variance at year end of approximately \$1.6 million.

**Police Fund** - The originally adopted police budget showed the need for a \$2,757,000 subsidy from the General Fund to break even. At year end, the actual subsidy needed was \$1,500,000. This resulted primarily from leaving six positions vacant and from the property tax levy bringing in approximately \$340,000 more than anticipated.

The Police Fund is primarily supported by a 5-mill special assessment levy. As made apparent by the continuing need for a subsidy from the General Fund, a citizen's committee was formed to address the need for additional police revenues to cover the shortfall. The committee recommended seeking voter approval to levy 1-1/2 operating mills in addition to the five special assessment mills. This recommendation resulted in the Township Board adding this millage proposal to the August primary election ballot.

**Fire Fund** - The Fire Fund is supported by a 4-mill special assessment operating levy and a voter approved 1-mill levy. This mill was approved for a 20-year period and was first levied on January 1, 2003. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As a result of those rollbacks, the January 1, 2006 levy was reduced to 0.9219.

The Fire Department has undertaken projects to expand to a fifth station and to rebuild the oldest station, Station 1. To fund these projects, the Township issued \$8,500,000 of general obligation bonds. The proceeds from these bonds were placed in the Fire Facility Fund, a Capital Projects Fund, for use in paying the related construction and equipment costs. As of March 31, 2006, the construction projects are complete. Monies remaining in the Capital Project Fund at March 31 will be used to do some renovations at the remaining stations.

**Senior Housing Fund** - The Senior Housing Fund accounts for the operation of Heritage Estates, a 312-unit apartment complex. The Township has contracted with an outside management company to act as a leasing agent and oversee daily operations, including an activity center for use by tenants.

The apartment complex is designed primarily for independent, middle-income seniors. The complex includes 186 one-bedroom and 126 two-bedroom apartments with monthly rent currently set at \$450 and \$530, respectively.

Operations of this complex are not subsidized from any other Township sources.

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

**Sanitation Fund** - The Sanitation Fund accounts for the collection and disposal of trash, recyclables, and compost materials. Except for the billing of customers, virtually all sanitation activity is completed by outside contractors. Although all residential commercial and industrial customers have the option of opting out of the municipal system, this option has generally not been taken by residential customers but has been increasingly used by business customers.

Currently, single-family sanitation customers pay \$10.50 per month. Residential customers pay approximately 75 percent of total rubbish charges collected. The rates Clinton Township charges have not been adjusted since February 1, 2001.

Although the Sanitation Fund had an operating loss of \$159,177 during the fiscal year, the value of the Township's equity in the Grosse Pointes Clinton Authority, a joint venture between Clinton Township and certain nearby communities, increased by \$447,031. These items, as well as interest income of \$28,088, resulted in an increase of \$315,942 in net assets of the Sanitation Fund.

### **Capital Asset and Debt Administration**

The Township's investment in capital assets devoted to its governmental activities decreased by approximately \$430,000 during the fiscal year. This decrease resulted from depreciation charges partially offset by fire station construction charges, court building architectural fees, equipment purchased with federal grants, and other miscellaneous additions. During the year, the Township had no new long-term bonded indebtedness except for revenue bond additions of \$66,390 related to SQWIF Project 3001-01.

At March 31, 2006, the Township had approximately \$150,886,000, net of accumulated depreciation, invested in a broad range of capital assets including buildings, vehicles, equipment, and water and sewer lines.

# Charter Township of Clinton

## Statement of Net Assets March 31, 2006

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 2)	\$ 30,942,525	\$ 19,014,556	\$ 49,957,081	\$ 310,534
Receivables:				
Customers	27,273	3,113,175	3,140,448	-
Taxes - Net of reserve for uncollectible taxes	2,415,987	-	2,415,987	-
Interest	136,333	-	136,333	-
Special assessments - Current	-	247,745	247,745	-
Other	866,177	74,655	940,832	-
Due from other governmental units	2,113,787	243,666	2,357,453	-
Internal balances (Note 4)	1,053,714	(1,053,714)	-	-
Investment in joint venture (Note 12)	-	644,596	644,596	-
Inventories	-	159,912	159,912	-
Prepaid costs and other	677,030	50,433	727,463	-
Restricted assets (Note 6)	657,261	1,238,315	1,895,576	-
Special assessments - Net of current portion	-	1,013,656	1,013,656	-
Capital assets:				
Not depreciated (Note 3)	2,907,036	4,960,215	7,867,251	-
Depreciated - Net (Note 3)	33,007,141	110,011,723	143,018,864	-
<b>Total assets</b>	<b>74,804,264</b>	<b>139,718,933</b>	<b>214,523,197</b>	<b>310,534</b>
<b>Liabilities</b>				
Vouchers payable	696,783	1,438,322	2,135,105	7,589
Accrued and other liabilities	1,868,976	404,457	2,273,433	-
Deferred revenue	60,129	-	60,129	-
Refundable bonds and deposits	-	575,544	575,544	-
Noncurrent liabilities (Note 5):				
Due within one year	2,280,956	1,902,144	4,183,100	-
Due in more than one year	23,371,499	23,989,353	47,360,852	-
<b>Total liabilities</b>	<b>28,278,343</b>	<b>28,309,820</b>	<b>56,588,163</b>	<b>7,589</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	14,789,819	91,329,939	106,119,758	-
Restricted:				
Fire department services	12,516,833	-	12,516,833	-
Police department services	9,602,048	-	9,602,048	-
Street light services	563,993	-	563,993	-
Drug forfeiture activities	318,421	-	318,421	-
Construction	899,771	43,514	943,285	-
Debt service	352,638	291,366	644,004	-
Bond covenants (Note 6)	-	1,238,315	1,238,315	-
Unrestricted	7,482,398	18,505,979	25,988,377	302,945
<b>Total net assets</b>	<b>\$ 46,525,921</b>	<b>\$ 111,409,113</b>	<b>\$ 157,935,034</b>	<b>\$ 302,945</b>

# Charter Township of Clinton

	Expenses	Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
		Services		
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 5,400,109	\$ 1,479,006	\$ 1,328,251	\$ -
Public safety	31,887,850	689,889	374,220	50,000
Public works	4,660,165	1,250,374	-	-
Recreation and senior activities	1,805,629	403,352	-	-
41-B District Court	2,222,485	2,676,568	57,155	-
Interest on long-term debt	1,004,875	-	-	-
Total governmental activities	46,981,113	6,499,189	1,759,626	50,000
Business-type activities:				
Water and sewer	16,632,536	21,287,519	2,102	-
Senior housing	1,411,386	1,848,191	-	-
Sanitation	3,942,212	4,230,066	-	-
Special assessments	274,213	-	-	-
Total business-type activities	22,260,347	27,365,776	2,102	-
Total primary government	<u><u>\$ 69,241,460</u></u>	<u><u>\$ 33,864,965</u></u>	<u><u>\$ 1,761,728</u></u>	<u><u>\$ 50,000</u></u>
Component units:				
Economic Development Corporation	\$ 9,651	\$ -	\$ -	\$ -
Downtown Development Authority	54,559	-	-	-
Total component units	<u><u>\$ 64,210</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

General revenues:  
 Property taxes  
 State-shared revenues  
 Interest and investment earnings  
 Miscellaneous  
 Transfers

Total general revenues

## Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Statement of Activities**  
**Year Ended March 31, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,592,852)	\$ -	\$ (2,592,852)	\$ -
(30,773,741)	-	(30,773,741)	-
(3,409,791)	-	(3,409,791)	-
(1,402,277)	-	(1,402,277)	-
511,238	-	511,238	-
(1,004,875)	-	(1,004,875)	-
(38,672,298)	-	(38,672,298)	-
-	4,657,085	4,657,085	-
-	436,805	436,805	-
-	287,854	287,854	-
-	(274,213)	(274,213)	-
-	5,107,531	5,107,531	-
(38,672,298)	5,107,531	(33,564,767)	-
-	-	-	(9,651)
-	-	-	(54,559)
-	-	-	(64,210)
31,157,923	-	31,157,923	86,054
8,031,037	-	8,031,037	-
724,713	840,885	1,565,598	1,701
1,220,589	-	1,220,589	-
282,957	(282,957)	-	-
41,417,219	557,928	41,975,147	87,755
2,744,921	5,665,459	8,410,380	23,545
43,781,000	105,743,654	149,524,654	279,400
<b>\$ 46,525,921</b>	<b>\$ 111,409,113</b>	<b>\$ 157,935,034</b>	<b>\$ 302,945</b>

# Charter Township of Clinton

## Governmental Funds Balance Sheet March 31, 2006

	Major Funds			Nonmajor	Total
	General	Fire	Police	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Assets</b>					
Cash and investments (Note 2)	\$ 4,426,819	\$ 11,522,552	\$ 8,886,241	\$ 6,106,913	\$ 30,942,525
Receivables:					
Taxes	191,285	1,087,434	1,000,612	136,656	2,415,987
Customers	-	-	-	27,273	27,273
Interest	126,913	-	-	9,420	136,333
Other	447,613	-	204,147	214,417	866,177
Due from other funds (Note 4)	1,101,313	-	-	198	1,101,511
Due from other governmental units	2,069,938	-	-	43,849	2,113,787
Prepaid costs and other	266,065	104,442	144,153	162,370	677,030
Restricted assets (Note 6)	-	-	-	657,261	657,261
<b>Total assets</b>	<b>\$ 8,629,946</b>	<b>\$ 12,714,428</b>	<b>\$ 10,235,153</b>	<b>\$ 7,358,357</b>	<b>\$ 38,937,884</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Vouchers payable	\$ 438,463	\$ 58,112	\$ 136,181	\$ 64,027	\$ 696,783
Accrued and other liabilities	297,788	139,483	437,076	1,500	875,847
Due to other funds (Note 4)	198	-	-	47,599	47,797
Deferred revenue	569,536	-	59,848	-	629,384
<b>Total liabilities</b>	<b>1,305,985</b>	<b>197,595</b>	<b>633,105</b>	<b>113,126</b>	<b>2,249,811</b>
<b>Fund Balances</b>					
Reserved for prepaid costs	168,404	-	-	162,370	330,774
Unreserved:					
Designated, reported in:					
General Fund (Note 9)	7,155,557	-	-	-	7,155,557
Special Revenue Funds (Note 9)	-	-	-	357,500	357,500
Debt Service Funds (Note 9)	-	-	-	8,088	8,088
Undesignated, reported in:					
Special Revenue Funds	-	12,516,833	9,602,048	5,427,609	27,546,490
Debt Service Funds	-	-	-	389,893	389,893
Capital Projects Funds	-	-	-	899,771	899,771
<b>Total fund balances</b>	<b>7,323,961</b>	<b>12,516,833</b>	<b>9,602,048</b>	<b>7,245,231</b>	<b>36,688,073</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,629,946</b>	<b>\$ 12,714,428</b>	<b>\$ 10,235,153</b>	<b>\$ 7,358,357</b>	<b>\$ 38,937,884</b>



# Charter Township of Clinton

## **Governmental Funds** **Reconciliation of Fund Balances to the Statement of Net Assets** **Year Ended March 31, 2006**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 36,688,073</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	34,488,431
Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds	1,425,746
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	569,255
Accrued workers' compensation liability not reported in the governmental funds	(925,927)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Notes and bonds payable	(21,781,619)
Compensated absences	(3,870,836)
Accrued interest payable is not included as a liability in the governmental funds	<u>(67,202)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 46,525,921</u></b>

# Charter Township of Clinton

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2006

	Major Funds			Other	Total
	General	Fire	Police	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Revenue</b>					
Property taxes	\$ 2,336,088	\$ 13,778,283	\$ 13,826,909	\$ 1,349,841	\$ 31,291,121
Licenses and permits	1,343,626	-	59,381	-	1,403,007
Special assessments	-	-	-	64,312	64,312
Federal sources	519,814	33,048	88,310	618,072	1,259,244
State sources	8,241,291	-	213,876	-	8,455,167
Interest	265,997	238,470	-	220,246	724,713
Fines and forfeitures	2,733,723	-	-	-	2,733,723
Other revenue	2,048,696	104,819	700,007	907,753	3,761,275
Total revenue	17,489,235	14,154,620	14,888,483	3,160,224	49,692,562
<b>Expenditures</b>					
Current:					
General government	4,939,279	-	-	882,099	5,821,378
Public safety	1,513,762	12,683,446	16,369,046	463,847	31,030,101
Public works	3,676,431	-	-	794,112	4,470,543
Recreation and senior activities	1,585,883	-	-	-	1,585,883
District Court	2,414,685	-	-	-	2,414,685
Debt service:					
Principal	-	200,000	-	833,020	1,033,020
Interest	-	318,688	-	691,234	1,009,922
Total expenditures	14,130,040	13,202,134	16,369,046	3,664,312	47,365,532
<b>Excess of Revenue Over (Under) Expenditures</b>	3,359,195	952,486	(1,480,563)	(504,088)	2,327,030
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 4)	-	-	1,500,000	717,910	2,217,910
Transfers out (Note 4)	(1,820,380)	(111,186)	-	(27,500)	(1,959,066)
Total other financing sources (uses)	(1,820,380)	(111,186)	1,500,000	690,410	258,844
<b>Net Change in Fund Balances</b>	1,538,815	841,300	19,437	186,322	2,585,874
<b>Fund Balances - Beginning of year</b>	5,785,146	11,675,533	9,582,611	7,058,909	34,102,199
<b>Fund Balances - End of year</b>	<u>\$ 7,323,961</u>	<u>\$ 12,516,833</u>	<u>\$ 9,602,048</u>	<u>\$ 7,245,231</u>	<u>\$ 36,688,073</u>

# Charter Township of Clinton

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ 2,585,874

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (2,178,599)	
Capital outlay	<u>1,724,035</u>	(454,564)

Infrastructure assets constructed by special assessment enterprise fund and transferred to governmental activities	24,113
--	--------

Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	(18,310)
--	----------

Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid	5,047
--	-------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,033,020
---	-----------

Increase in accumulated workers' compensation is recorded when earned in the statement of activities	6,694
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Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(436,953)</u>
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**Change in Net Assets of Governmental Activities** \$ 2,744,921

# Charter Township of Clinton

## Proprietary Funds Statement of Net Assets March 31, 2006

	Major Funds				
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	Total Enterprise Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents (Note 2)	\$ 16,208,359	\$ 1,040,920	\$ 661,665	\$ 1,103,612	\$ 19,014,556
Receivables:					
Customers	2,463,662	-	649,513	-	3,113,175
Special assessments	-	-	-	247,745	247,745
Other	74,655	-	-	-	74,655
Investment in joint venture (Note 12)	-	-	644,596	-	644,596
Due from other funds (Note 4)	-	-	117,624	-	117,624
Due from other governmental units	243,666	-	-	-	243,666
Inventories	159,912	-	-	-	159,912
Prepaid costs	50,433	-	-	-	50,433
Total current assets	19,200,687	1,040,920	2,073,398	1,351,357	23,666,362
Noncurrent assets:					
Restricted assets (Notes 2 and 6)	1,238,315	-	-	-	1,238,315
Special assessments - Net of current portion	-	-	-	1,013,656	1,013,656
Capital assets - Net (Note 3)	103,514,626	11,457,312	-	-	114,971,938
Total noncurrent assets	104,752,941	11,457,312	-	1,013,656	117,223,909
Total assets	123,953,628	12,498,232	2,073,398	2,365,013	140,890,271
<b>Liabilities</b>					
Current liabilities:					
Vouchers payable	1,148,522	-	278,830	10,970	1,438,322
Accrued and other liabilities	190,704	213,753	-	-	404,457
Due to other funds (Note 4)	1,171,338	-	-	-	1,171,338
Current portion of long-term debt (Note 5)	796,849	660,295	-	445,000	1,902,144
Total current liabilities	3,307,413	874,048	278,830	455,970	4,916,261
Noncurrent liabilities:					
Refundable bonds and deposits	421,881	144,500	-	9,163	575,544
Long-term debt - Net of current portion (Note 5)	12,961,263	9,463,090	-	1,565,000	23,989,353
Total noncurrent liabilities	13,383,144	9,607,590	-	1,574,163	24,564,897
Total liabilities	16,690,557	10,481,638	278,830	2,030,133	29,481,158
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	89,996,012	1,333,927	-	-	91,329,939
Restricted for:					
Bond covenants (Note 6)	1,238,315	-	-	-	1,238,315
Construction	-	-	-	43,514	43,514
Debt service	-	-	-	291,366	291,366
Unrestricted	16,028,744	682,667	1,794,568	-	18,505,979
Total net assets	<u>\$ 107,263,071</u>	<u>\$ 2,016,594</u>	<u>\$ 1,794,568</u>	<u>\$ 334,880</u>	<u>\$ 111,409,113</u>

# Charter Township of Clinton

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2006

	Major Funds				
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	Total Enterprise Funds
<b>Operating Revenue</b>					
Charges for sales and services	\$ 20,514,994	\$ -	\$ 3,781,245	\$ -	\$ 24,296,239
Rent	-	1,816,117	-	-	1,816,117
Other	773,047	32,074	1,790	-	806,911
Total operating revenue	21,288,041	1,848,191	3,783,035	-	26,919,267
<b>Operating Expenses</b>					
Cost of water and sewage disposal	11,005,139	-	-	-	11,005,139
Operation and maintenance	1,196,571	577,340	3,942,212	-	5,716,123
General and administrative	1,980,037	-	-	-	1,980,037
Salaries and fringe benefits	4,152,231	-	-	-	4,152,231
Depreciation	3,565,195	302,944	-	-	3,868,139
Other	-	-	-	180,663	180,663
Total operating expenses	21,899,173	880,284	3,942,212	180,663	26,902,332
<b>Operating Income (Loss)</b>	(611,132)	967,907	(159,177)	(180,663)	16,935
<b>Nonoperating Revenue (Expenses)</b>					
Debt, capital charges, and tap fees	1,046,346	-	-	-	1,046,346
Federal sources	1,580	-	-	-	1,580
Investment income	665,953	20,199	28,088	126,645	840,885
Income from joint ventures	-	-	447,031	-	447,031
Proceeds from sale of asset	1,955	-	-	-	1,955
Interest expense	(569,411)	(531,102)	-	(93,550)	(1,194,063)
Total nonoperating revenue (expenses)	1,146,423	(510,903)	475,119	33,095	1,143,734
<b>Income (Loss) - Before contributions and transfers</b>	535,291	457,004	315,942	(147,568)	1,160,669
<b>Contributions from Developers and Other Funds</b>	4,982,676	-	-	(219,042)	4,763,634
<b>Other Financing Sources (Uses)</b>					
Transfers in from other funds (Note 4)	-	-	-	65,800	65,800
Transfers out to other funds (Note 4)	(38,300)	-	-	(286,344)	(324,644)
Total other financing uses	(38,300)	-	-	(220,544)	(258,844)
<b>Net Change in Net Assets</b>	5,479,667	457,004	315,942	(587,154)	5,665,459
<b>Net Assets - Beginning of year</b>	101,783,404	1,559,590	1,478,626	922,034	105,743,654
<b>Net Assets - End of year</b>	<u>\$ 107,263,071</u>	<u>\$ 2,016,594</u>	<u>\$ 1,794,568</u>	<u>\$ 334,880</u>	<u>\$ 111,409,113</u>

# Charter Township of Clinton

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2006

	Major Funds				
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessment Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 19,998,866	\$ 1,816,117	\$ 4,193,552	\$ 567,366	\$ 26,575,901
Payments to suppliers	(12,146,528)	(557,619)	(6,092,124)	(224,824)	(19,021,095)
Payments to employees and benefit providers	(4,168,792)	-	-	-	(4,168,792)
Net cash provided by (used in) operating activities	3,683,546	1,258,498	(1,898,572)	342,542	3,386,014
<b>Cash Flows from Noncapital Financing Activities</b>					
Funds advanced from other governmental units	(68,507)	-	-	-	(68,507)
Transfer out	(38,300)	-	-	(286,344)	(324,644)
Transfer in	-	-	-	65,800	65,800
Net cash used in noncapital financing activities	(106,807)	-	-	(220,544)	(327,351)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Collection of debt, capital charges, and tap fees	1,046,346	-	-	-	1,046,346
Contributions from developers and other funds	-	-	-	(219,042)	(219,042)
Proceeds from federal sources	1,580	-	-	-	1,580
Proceeds from sale of assets	1,955	-	-	-	1,955
Proceeds from issuance of bonds	76,395	-	-	-	76,395
Principal, interest, and other costs paid on long-term debt	(1,254,411)	(1,163,082)	-	(593,550)	(3,011,043)
Purchase of capital assets	(2,665,174)	-	-	-	(2,665,174)
Net cash used in capital and related financing activities	(2,793,309)	(1,163,082)	-	(812,592)	(4,768,983)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	665,953	20,199	28,088	126,645	840,885
Purchase of investment securities	(53,965,200)	-	-	-	(53,965,200)
Proceeds from equity distribution of joint venture	-	-	690,118	-	690,118
Proceeds from sale and maturities of investment securities	55,306,200	-	-	-	55,306,200
Net cash provided by investing activities	2,006,953	20,199	718,206	126,645	2,872,003
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,790,383	115,615	(1,180,366)	(563,949)	1,161,683
<b>Cash and Cash Equivalents - Beginning of year</b>	12,800,291	925,305	1,842,031	1,667,561	17,235,188
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 15,590,674</b>	<b>\$ 1,040,920</b>	<b>\$ 661,665</b>	<b>\$ 1,103,612</b>	<b>\$ 18,396,871</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>					
Cash and investments per balance sheet	\$ 16,208,359	\$ 1,040,920	\$ 661,665	\$ 1,103,612	\$ 19,014,556
Restricted cash and cash investments	1,238,315	-	-	-	1,238,315
Less investments with original maturities in excess of three months	(1,856,000)	-	-	-	(1,856,000)
Total cash and cash equivalents	<b>\$ 15,590,674</b>	<b>\$ 1,040,920</b>	<b>\$ 661,665</b>	<b>\$ 1,103,612</b>	<b>\$ 18,396,871</b>
<b>Cash Flows from Operating Activities</b>					
Operating income (loss)	\$ (611,132)	\$ 967,907	\$ (159,177)	\$ (180,663)	\$ 16,935
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	3,565,195	302,944	-	-	3,868,139
Changes in assets and liabilities:					
Accounts receivable	(501,229)	-	412,307	567,366	478,444
Prepaid and other assets	(2,214)	-	-	47,830	45,616
Inventory	(42,482)	-	-	-	(42,482)
Accounts payable	(1,141,389)	-	20,867	(49,432)	(1,169,954)
Due to/from other funds	2,673,465	-	(2,172,569)	(51,353)	449,543
Accrued and other liabilities	(256,668)	(12,353)	-	8,794	(260,227)
Net cash provided by (used in) operating activities	<b>\$ 3,683,546</b>	<b>\$ 1,258,498</b>	<b>\$ (1,898,572)</b>	<b>\$ 342,542</b>	<b>\$ 3,386,014</b>

# Charter Township of Clinton

## Fiduciary Funds Statement of Net Assets March 31, 2006

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 98,504,672	\$ 1,666,421
Cash and investments held as collateral for securities lending	4,940,427	-
Prepaid expenses and other	251,655	-
Total assets	103,696,754	<u><u>\$ 1,666,421</u></u>
<b>Liabilities</b>		
Benefits payable and other liabilities	1,067,777	\$ -
Due to other governmental units	-	94,620
Refundable bonds and deposits	-	1,571,801
Collateral for securities lending	4,940,427	-
Total liabilities	6,008,204	<u><u>\$ 1,666,421</u></u>
<b>Net Assets</b> - Held in trust for pension systems and other employee benefits		<u><u>\$ 97,688,550</u></u>

# Charter Township of Clinton

## Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2006

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Contributions:	
Employee	\$ 915,381
Township	2,757,359
Total contributions	3,672,740
Investment income:	
Interest and dividends	3,218,080
Net appreciation in fair value of investments	11,401,191
Less investment expenses	(503,891)
Net investment income	14,115,380
Securities lending income:	
Interest and fees	228,879
Less borrower rebates and fees	(220,098)
Net securities lending income	8,781
Total additions	17,796,901
<b>Deductions</b>	
Benefit payments	3,455,789
Administrative expenses	42,966
Total deductions	3,498,755
<b>Net Increase</b>	14,298,146
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	83,390,404
End of year	<u><u>\$ 97,688,550</u></u>



# **Charter Township of Clinton**

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## **Component Units Statement of Net Assets March 31, 2006**

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# Charter Township of Clinton

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		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - Public works	\$ 9,651	\$ -	\$ -	\$ -
Downtown Development Authority - Public works	54,559	-	-	-
Total component units	<u><u>\$ 64,210</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## General revenues:

Taxes

Interest

Total general revenues

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Component Units  
Statement of Activities  
Year Ended March 31, 2006**

Net (Expense) Revenue and Changes in Net Assets		
Economic Development Corporation	Downtown Development Authority	Total
\$ (9,651)	\$ -	\$ (9,651)
-	(54,559)	(54,559)
(9,651)	(54,559)	(64,210)
-	86,054	86,054
90	1,611	1,701
90	87,665	87,755
(9,561)	33,106	23,545
210,093	69,307	279,400
<b>\$ 200,532</b>	<b>\$ 102,413</b>	<b>\$ 302,945</b>

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Charter Township of Clinton (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

#### **Reporting Entity**

Charter Township of Clinton was organized on April 3, 1989 under the provisions of Act 359 of P.A. 1947, as amended (Charter Township Act). The Township is governed by an elected seven-member board of trustees composed of the supervisor, clerk, treasurer, and four other trustees. The Township provides the following services as authorized by its charter: public safety (police and fire), public works, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services.

The accompanying basic financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, for determining the various governmental organizations to be included in the reporting entity. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township, although the Township has the ability to impose its will over the entities.

#### **Blended Component Unit**

**Building Authority** - The Charter Township of Clinton Building Authority (the "Building Authority") is governed by a seven-member board that is appointed by the Township board of trustees. Although legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings. The Building Authority is reported as a nonmajor Debt Service Fund.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Discretely Presented Component Units

**Economic Development Corporation** - The primary purpose of the Economic Development Corporation (EDC) is to encourage and assist commercial enterprises to locate and expand facilities within the Township. The governing members of the EDC board are appointed by the Township board of trustees and can be removed or replaced by the Township board. Complete financial statements of the EDC are available at the Township clerk's office.

**Downtown Development Authority** - The Downtown Development Authority (DDA) was established on August 8, 2002 under the provision of Act 197 of the Public Acts of Michigan of 1975, as amended. The DDA was created to halt property value deterioration and increase property tax valuation where possible, to eliminate the causes of that deterioration and to promote economic growth in the business district of the Township. The DDA collects captured property taxes in accordance with State law and submits a budget of expenditures within the DDA district. The DDA's governing body is appointed by the Township board of trustees.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Special Revenue Fund accounts for all of the activities of the Township's Fire Department, except for construction activity and equipment purchased in the Fire Facility Capital Projects Fund.
- The Police Special Revenue Fund accounts for all of the activities of the Township's Police Department, except for construction activity and equipment purchased in the Police Facility Debt Service Fund.

The Township reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- The Senior Housing Fund accounts for the activities of the Township's senior housing apartment complex.
- The Sanitation Fund accounts for the activities associated with the Township's rubbish collection program.
- The Special Assessment Fund accounts for the activities associated with the construction of the water distribution system, the sewage collection system, various paving projects, and the debt payments related to these projects.

Additionally, the Township reports the following fund types:

- The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the Township's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

#### **Property Tax Revenue**

Property taxes are lienied and billed on December 1. The winter taxes billed on December 1 are payable without penalty through February 28. Effective March 1, taxes are delinquent and payable to the Macomb County Treasurer. The winter tax bill is primarily used to finance Township operations for the following fiscal year.

The 2005 taxable valuation (real and personal property) of the Township totaled \$2,911,145,107, on which ad valorem taxes levied consisted of .7771 mills for the Township's operating purposes, .9219 mills for fire operating purposes, and .35 mills for the retirement of police building debt. The ad valorem taxes generated \$2,262,251 for general operations, \$2,683,785 for fire operations, and \$1,018,901 for police building debt retirement. The 2005 real property taxable valuation of the Township totaled \$2,735,818,807, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$13,679,094 for police operations and \$10,943,275 for fire operations. The Industrial Facilities Tax roll generated \$38,027 for general operations, \$155,488 for police operations, \$169,503 for fire operations, and \$17,127 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.



# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Enterprise Fund require amounts to be set aside for a bond reserve. The amount has been classified as a restricted asset. Unspent bond proceeds of the Fire Facility Capital Projects Fund are required to be set aside for construction. These amounts have also been classified as restricted assets.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets are depreciated starting on the first day of the first fiscal year following the date of acquisition.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Structures, mains, and laterals	25-50 years
Infrastructure	30 years
Meters	10-20 years
Land improvements	15 years
Buildings and improvements	25-50 years
Office furniture and equipment	5 years
Operating equipment	10 years
Vehicles	3-10 years

**Compensated Absences** - The Township allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off or employees terminate).

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Construction Code Act** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity is as follows:

Cumulative expenditures over revenue - April 1, 2005		\$ (2,184,000)
Fiscal 2004 building department activity:		
Permit revenue	\$ 1,344,000	
Expenditures	<u>(1,514,000)</u>	
Excess of expenditures over revenue		<u>(170,000)</u>
Cumulative expenditures over revenue - March 31, 2006		<u><u>\$ (2,354,000)</u></u>

### Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated 15 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

### **Note 2 - Deposits and Investments (Continued)**

The Fire and Police Pension Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Township does not have a separate investment policy for its pension fund; however, the Township does follow the State Pension Act limits.

As permitted by State statutes, and under the provisions of a Securities Lending Authorization Agreement, the Fire and Police Pension System Trust Fund lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Fire and Police Pension System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended March 31, 2006, only United States currency was received as collateral.

The Police and Fire Pension System did not impose any additional restrictions, beyond those mandated by Michigan Public Act 314 of 1965, during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the custodial bank.

The Police and Fire Pension System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of March 31, 2006 was 92 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On March 31, 2006, the Police and Fire Pension System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Police and Fire Pension System as of March 31, 2006 were \$4,940,427 and \$4,791,425, respectively.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 2 - Deposits and Investments (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk - Township-wide Bank Deposits and Investments -** Custodial credit risk is the risk that in the event of a third party custodian's failure, the Township's deposits may not be returned to it. The Township's investment policy requires that the Township minimize custodial credit risk by using only financial institutions meeting a pre-qualification evaluation and holding securities in the Township's name. The evaluation of institutions includes screening by size, asset quality, liquidity of funds, profitability, and capital using several third-party sources. At year end, the Township had \$51.2 million of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk - Pension Funds -** The Township's Pension Trust Fund does not have an investment policy for custodial credit risk.

At year end, the following investment securities were uninsured and unregistered, and held by a counterparty or by its trust department or agent but not in the Township's name:

Investment Type	Fair Value of Pension Trust	
	Funds	How Held
Corporate bonds	\$ 10,261,001	Counterparty
Equity securities	59,014,655	Counterparty
Foreign mutual funds	2,649,162	Counterparty
United States government agencies	9,907,438	Counterparty
Total uninsured and unregistered	<u>\$ 81,832,256</u>	

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 2 - Deposits and Investments (Continued)

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy requires the Township to minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. At year end, the Township had the following investments and maturities:

Investment Type	Fair Value of Township-wide Deposits and		Fair Value of Pension		Greater than	
	Investments	Trust Funds	Less than 6 years	6-15 Years	15 years	
Bank investment pool	\$ 4,754,502	\$ -	\$ 4,754,502	\$ -	\$ -	
Agency securities	-	9,907,438	1,381,802	1,541,100	6,984,536	
Corporate bonds	-	10,261,657	5,149,802	2,200,247	2,911,608	

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township investment policy further minimizes credit risk by limiting investments to the safest types of securities and by diversifying the portfolio so potential losses on individual securities are minimized. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 3,270,050	Not Rated	Not Rated
U.S. government agency mortgage-backed securities	6,743,007	Not Rated	Not Rated
Corporate asset-backed securities	457,616	Not Rated	Not Rated
U.S. federal agencies	526,864	AAA	Standard and Poor's
U.S. Treasury bills	501,259	AAA	Standard and Poor's
Bank investment pool	1,484,452	AAA	Moody's
Collateralized mortgage obligations	1,249,276	AAA to BB+	Standard and Poor's

**Concentration of Credit Risk** - The Township's investment policy minimizes the risk in placing a large portion of the portfolio with a single security issuer by limiting the exposure to 20 percent of the total portfolio. At March 31, 2006, the Township's Pension Fund held no investments with any one issuer greater than 5 percent of the Pension Fund's total investments.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2006

### Note 2 - Deposits and Investments (Continued)

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The following securities are subject to foreign currency risk:

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### Note 3 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

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# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 3 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in progress	2,085,864	2,518,081	643,730	3,960,215
Net capital assets not being depreciated	3,085,864	2,518,081	643,730	4,960,215
Capital assets being depreciated:				
Land improvements	320,165	-	-	320,165
Buildings and improvements	14,079,990	-	-	14,079,990
Equipment	1,822,684	-	-	1,822,684
Vehicles	1,740,772	96,464	36,235	1,801,001
Furniture and fixtures	646,420	50,628	-	697,048
Meters	4,515,632	-	-	4,515,632
Structures, mains, and laterals	140,894,590	5,578,577	-	146,473,167
Subtotal	164,020,253	5,725,669	36,235	169,709,687
Accumulated depreciation:				
Land improvements	19,099	21,344	-	40,443
Buildings and improvements	3,620,800	281,600	-	3,902,400
Equipment	1,594,481	65,241	-	1,659,722
Vehicles	1,168,351	344,030	36,235	1,476,146
Furniture and fixtures	452,365	44,165	-	496,530
Meters	2,225,391	221,526	-	2,446,917
Structures, mains, and laterals	46,785,573	2,890,233	-	49,675,806
Subtotal	55,866,060	3,868,139	36,235	59,697,964
Net capital assets being depreciated	108,154,193	1,857,530	-	110,011,723
Net capital assets	\$ 111,240,057	\$ 4,375,611	\$ 643,730	\$ 114,971,938



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 3 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 288,417
Public safety	1,459,227
Public works	187,726
Recreation and senior activities	213,172
41-B District Court	<u>30,057</u>

Total governmental activities	<u>\$ 2,178,599</u>
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Business-type activities:

Water and sewer	\$ 3,565,195
Senior housing	<u>302,944</u>

Total business-type activities	<u>\$ 3,868,139</u>
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### Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 1,053,714
	Other nonmajor funds	<u>47,599</u>
	Total General Fund	1,101,313
Sanitation Fund	Water and Sewer Fund	117,624
Other nonmajor funds	General Fund	<u>198</u>
	Total	<u>\$ 1,219,135</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

	Transfers In			Total
	Police Fund	Special Assessment Fund	Other Nonmajor Funds	
Transfers out:				
General Fund	\$ 1,500,000 (4)	\$ -	\$ 320,380 (1)	\$ 1,820,380
Fire Fund	-	-	111,186 (1)	111,186
Water and Sewer Fund	-	38,300 (3)	-	38,300
Special Assessment Fund	-	-	286,344 (2)	286,344
Other nonmajor funds	-	27,500 (2)	-	27,500
Total	<u>\$ 1,500,000</u>	<u>\$ 65,800</u>	<u>\$ 717,910</u>	<u>\$ 2,283,710</u>

(1) Transfer for debt service payment

(2) Transfer of discretionary funds for capital improvement projects

(3) Transfer to eliminate deficits in the special assessment projects

(4) Transfer of discretionary funds for police operations

### Note 5 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Installment purchase agreements are also general obligations of the government.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 5 - Long-term Debt (Continued)

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. Under Michigan law, the Township is secondarily liable for payment of these bonds.

In connection with the Water and Sewer Revenue Bonds, the Township is subject to bond ordinance requirements including maintaining a relationship of net revenue to debt service requirements.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds:						
Building Authority Refunding Bonds - Series 1994:*						
Amount of issue - \$7,270,000	4.50%-	\$232,220-				
Maturing through 2010	4.90%	\$278,955	\$ 1,570,040	\$ (252,665)	\$ 1,317,375	\$ 264,350
Building Authority Refunding Bonds - Series 1998:*						
Amount of issue - \$10,390,000	4.30% -	\$5,355-				
Maturing through 2017	5.50%	\$315,945	1,894,599	(5,355)	1,889,244	5,355
Police Building Bonds - Series 1998:						
Amount of issue - \$8,000,000	4.00%-	\$325,000-				
Maturing through 2018	6.00%	\$725,000	6,375,000	(375,000)	6,000,000	375,000
Police Building Bonds - Series 1999:						
Amount of issue - \$5,900,000	4.00%-	\$150,000-				
Maturing through 2018	6.00%	\$600,000	5,000,000	(200,000)	4,800,000	250,000
Fire Building Bonds - Series 2002:						
Amount of issue - \$8,500,000	2.50%-	\$175,000-				
Maturing through 2022	4.60%	\$750,000	7,975,000	(200,000)	7,775,000	225,000
Total bond obligations			22,814,639	(1,033,020)	21,781,619	1,119,705
Other long-term obligations - Compensated absences			3,433,883	436,953	3,870,836	1,161,251
Total governmental activities			\$ 26,248,522	\$ (596,067)	\$ 25,652,455	\$ 2,280,956

\* Bonds with maturing dates from November 1, 2003 through November 1, 2017 were defeased during the years ended March 31, 1994 and March 31, 1999. The Series 1994 bonds are co-funded by the General Fund, Fire Fund, and the Senior Housing Fund. The Series 1998 bonds are co-funded by the General Fund and the Senior Housing Fund. See tables for breakout.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
General obligation bonds:						
Building Authority Refunding Bonds - Series 1994*:						
Amount of issue - \$7,270,000	4.50%-	\$562,780-				
Maturing through 2010	4.90%	\$676,045	\$ 3,804,960	\$ (612,330)	\$ 3,192,630	\$ 640,650
Building Authority Refunding Bonds - Series 1998*:						
Amount of issue - \$10,390,000	4.30% -	\$19,645-				
Maturing through 2017	5.50%	\$1,159,055	6,950,400	(19,645)	6,930,755	19,645
1996 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 857, 862, 877, 897, and 900-902):						
Amount of issue - \$905,000	5.10%-	\$85,000-				
Maturing through 2006	5.20%	\$90,000	85,000	(85,000)	-	-
1997 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 910, 913, 914, and 924):						
Amount of issue - \$715,000	5.15%-					
Maturing through 2006	5.25%	\$75,000	150,000	(75,000)	75,000	75,000
1998 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 930, 931, 932, 933, 938, and 939):						
Amount of issue - \$945,000		\$50,000-				
Maturing through 2008	6.00%	\$100,000	300,000	(100,000)	200,000	75,000
1999 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 892, 923, 937, 940, 941, 948, and 952):						
Amount of issue - \$680,000	3.80%-	\$55,000-				
Maturing through 2008	4.25%	\$60,000	225,000	(55,000)	170,000	55,000
2001 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 985, 988, and 990):						
Amount of issue - \$995,000	3.80%-	\$105,000-				
Maturing through 2011	4.60%	\$110,000	635,000	(105,000)	530,000	105,000
2004 Special Assessment Bonds - Limited Tax Bonds (Project Nos. P1000, P1006, P1018, P1029, and S1013):						
Amount of issue - \$1,115,000	3.15%-	\$80,000-				
Maturing through 2014	3.80%	\$135,000	1,115,000	(80,000)	1,035,000	135,000
Revenue bonds:						
Revenue Refunding Bonds - Series 1998:						
Amount of issue - \$4,110,000	4.35%-	\$145,000-				
Maturing through 2013	5.00%	\$435,000	2,625,000	(375,000)	2,250,000	390,000
Revenue Bonds - Series 2001:						
Amount of issue - \$8,000,000	4.00%-	\$200,000-				
Maturing through 2022	7.00%	\$650,000	7,500,000	(225,000)	7,275,000	250,000
Revenue Refunding Bonds - Series 2004:						
Amount of issue - \$2,570,000	2.00%-	\$5,000-				
Maturing through 2016	3.40%	\$405,000	2,570,000	(15,000)	2,555,000	15,000
Revenue Bonds - CWRP Project 5191-01:						
Amount of issue - \$1,405,000		\$55,000-				
Maturing through 2024	2.125%	\$85,000	1,350,000	(60,000)	1,290,000	60,000
Revenue Bonds - SQWIF Project 3001-01:						
Amount of issue - \$270,000		\$10,000-				
Maturing through 2024	1.625%	\$15,000	82,224	66,390	148,614	10,000
Total bond obligations			27,392,584	(1,740,585)	25,651,999	1,830,295
Other long-term obligations - Compensated absences			224,257	15,241	239,498	71,849
Total business-type activities			27,616,841	(1,725,344)	25,891,497	1,902,144
Total primary government			\$ 53,865,363	\$ (2,321,411)	\$ 51,543,952	\$ 4,183,100

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 5 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 1,119,705	\$ 956,936	\$ 2,076,641	\$ 1,830,295	\$ 1,110,859	\$ 2,941,154
2008	1,162,575	899,624	2,062,199	1,747,425	1,023,774	2,771,199
2009	1,254,540	842,192	2,096,732	1,825,459	939,930	2,765,389
2010	1,275,162	784,792	2,059,954	1,724,839	855,484	2,580,323
2011	1,410,381	729,010	2,139,391	1,909,619	776,001	2,685,620
2012-2016	8,319,135	2,692,287	11,011,422	9,630,865	2,658,618	12,289,483
2017-2021	6,490,121	832,159	7,322,280	5,483,497	759,437	6,242,934
2022-2024	750,000	34,500	784,500	1,500,000	61,732	1,561,732
Total	<u>\$ 21,781,619</u>	<u>\$ 7,771,500</u>	<u>\$ 29,553,119</u>	<u>\$ 25,651,999</u>	<u>\$ 8,185,835</u>	<u>\$ 33,837,834</u>

### Defeased Debt

In prior years, the Township defeased certain Building Authority and Water and Sewer Revenue Bonds by placing surplus cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At March 31, 2006, \$13,150,000 of Building Authority bonds and \$2,350,000 of Water and Sewer Revenue bonds outstanding are considered defeased.

### No Commitment Debt

Excluded from the government-wide statement of net assets are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the Township. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the Township's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or another knowledgeable source.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 6 - Restricted Assets

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves as required by the revenue bond ordinances. The bond reserve account balance at March 31, 2006 is funded by certificates of deposits and money market funds in the amount of \$1,238,315.

Unspent bond proceeds of the Fire Facility Capital Projects Fund are required to be set aside for construction. The unspent bond proceeds balance at March 31, 2006 is \$657,261 and has also been classified as restricted assets.

### Note 7 - Risk Management

The Township is exposed to losses from various risks. Those risks include those related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees, retirees, and their dependents. The Township has purchased commercial insurance for medical claims, property loss, torts, and errors and omissions. The Township is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The Township estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The liability is recorded in accrued and other liabilities on the statement of net assets.

Changes in the estimated liability for the past two fiscal years were as follows:

	2006	2005
Estimated liability - Beginning of year	\$ 932,621	\$ 543,828
Estimated claims incurred, including changes in estimates	286,433	743,879
Claim payments	(293,127)	(355,086)
Estimated liability - End of year	<u>\$ 925,927</u>	<u>\$ 932,621</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 8 - Commitments and Contingencies

**Construction Commitments** - The Charter Township of Clinton has an active construction project at year end. As of March 31, 2006, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
M-59 and Snover Road Water Meter	\$ 400,000	\$ 89,000
Groesbeck and Carlier Road Water Main	-	643,000
Total	<u>\$ 400,000</u>	<u>\$ 732,000</u>

### Note 9 - Designated Fund Balances

Designated fund balance in the governmental funds at March 31, 2006 is as follows:

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>
Subsequent year's budget	\$ -	\$ 357,500
Debt service	-	8,088
Working capital	6,905,557	-
Workers' compensation	250,000	-
Total	<u>\$ 7,155,557</u>	<u>\$ 365,588</u>

### Note 10 - Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 164 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan. Contributions by the participants range from 0 percent to 100 percent depending on the number of years of service with the Township prior to retirement. The Township purchases Medicare supplemental insurance, including prescription coverage, for retirees eligible for Medicare.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 10 - Postemployment Benefits (Continued)

The Township has established the Postemployment Benefit Fund and the Public Employee Healthcare Fund to fund retiree health care benefit obligations in advance of premiums coming due.

During the year ended March 31, 2006, the General, Special Revenue, and Water and Sewer Funds contributed \$544,600, \$1,130,000, and \$223,950, respectively, to the Postemployment Benefit Fund. Insurance premiums paid for retirees are charged to the Postemployment Benefit Fund and total approximately \$1,667,000.

The two postemployment benefit funds have a combined fund balance totaling \$10,040,141 at March 31, 2006. This amount represents the cumulative net funding provisions that have been made in advance of retiree health care premiums.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

### Note 11 - Pension Plans

#### Fire and Police Pension System Fund

##### System Description and Contribution Information

Membership of the system consisted of the following at March 31, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	91
Current employees:	
Fully vested	118
Nonvested	74
Total current employees	192
Number of participating employers	1



# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2006

### **Note 11 - Pension Plans (Continued)**

The Pension System is the administrator of a single-employer public employees' retirement system that covers all police and fire employees of the Township. The system is composed of a defined contribution plan to account for the employees' contributions and a defined benefit plan to account for the Township's contribution and retirees' reserve. For accounting purposes, these plans are combined. The system provides retirement benefits, as well as death and disability benefits. The Fire and Police Pension System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 40700 Romeo Plank Road, Clinton Township, MI 48038.

The Pension System member and employer contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Please refer to Note 1 for further significant accounting policies.

Depending upon their collective bargaining unit, plan members are required to contribute between 4.0 percent and 7.0 percent of their annual covered salary. The Township is required to contribute at an actuarially determined rate. The obligation to contribute to and maintain the system for these employees was established by Act No. 345 of the Public Acts of 1937, as amended, and modified by the collective bargaining agreements. Administrative costs of the system are financed through investment earnings.

#### **Annual Pension Cost**

For the year ended March 31, 2006, the Township's annual pension cost of \$2,757,359 for the plan was equal to the Pension System's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at March 31, 2004. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 5.0 percent to 9.0 percent per year compounded annually, and (c) no postretirement benefit increases. Assumption (b) includes inflation at 4.5 percent. For actuarial purposes, asset values are determined using techniques that smooth the effects of short-term market volatility over a four-year period. Level of percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method. The Pension System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2004 was 20 years.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 11 - Pension Plans (Continued)

#### Reserves

State law requires employee contributions to be segregated and interest to be added annually. In addition, amounts must be set aside as determined by the actuary to fund benefits to retirees currently approved to receive benefits.

The reserves of the Fire and Police Pension System Fund are as follows:

	Reserved for Employee Contributions	Reserved for Employer Contributions	Reserved for Membership Annuities	Total
<b>Balances - April 1, 2005</b>	\$ 7,281,752	\$ 42,009,259	\$ 26,157,051	\$ 75,448,062
<b>Additions</b>				
Contributions:				
Members	905,943	9,438	-	915,381
General Fund	-	2,757,359	-	2,757,359
Net investment gain	-	13,133,478	-	13,133,478
Securities lending income	-	8,781	-	8,781
Total balances and additions	8,187,695	57,918,315	26,157,051	92,263,061
<b>Transfers</b>				
Interest	151,751	(2,104,339)	1,952,588	-
Reserve adjustment	(335,896)	(3,860,906)	4,196,802	-
Total balances and additions after transfers	8,003,550	51,953,070	32,306,441	92,263,061
<b>Deductions</b>				
Pension benefits	-	-	(3,455,789)	(3,455,789)
Refunds and other administrative expenses	-	(42,966)	-	(42,966)
<b>Balances - March 31, 2006</b>	<u>\$ 8,003,550</u>	<u>\$ 51,910,104</u>	<u>\$ 28,850,652</u>	<u>\$ 88,764,306</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 11 - Pension Plans (Continued)

#### Three-year Trend Information

Year Ended March 31	Annual Pension Cost	Percentage Contributed
2004	\$ 1,853,582	100
2005	2,345,264	100
2006	2,757,359	100

The required supplemental information (see table of contents) contained in the additional information is designed to provide information about the system's progress in accumulating sufficient assets to pay benefits when due.

#### **Municipal Employees' Retirement System of Michigan**

##### System Description and Contribution Information

The Township participates in the Municipal Employees' Retirement System of Michigan, an agent multiple-employer defined benefit pension plan that covers substantially all employees of the Township, except police and fire. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the eight municipal employee collective bargaining units and requires a contribution from the employees of 3.0 percent to 5.0 percent of gross wages.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2006

### Note 11 - Pension Plans (Continued)

#### Annual Pension Cost

For the year ended March 31, 2006, the Township's annual pension cost of \$986,461 for the system was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal funding method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 4.16 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period for positive unfunded liabilities and a 10-year period for negative unfunded liabilities.

#### Trend Information

	Fiscal Year Ended March 31		
	2006	2005	2004
Annual pension cost (APC)	\$ 986,461	\$ 884,964	\$ 599,964
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2003	2002	2001
Actuarial value of assets	\$ 34,262,159	\$ 32,081,443	\$ 31,658,056
Actuarial accrued liability	\$ 40,476,726	\$ 36,394,763	\$ 33,542,303
Unfunded (overfunded) AAL (UAAL)	\$ 6,214,567	\$ 4,313,320	\$ 1,884,247
Funded ratio	85%	88%	94%
Covered payroll	\$ 11,739,691	\$ 10,774,043	\$ 10,022,889
UAAL as a percentage of covered payroll	53%	40%	19%

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2006

### Note 12 - Joint Ventures

The Township is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture. The Authority's governing board is composed of two appointees from the Township and one appointee from each of the other seven member communities. In April 1999, the Authority's governing board ceased incineration operations at the Authority. The Township's equity portion of the Authority is reported in the Sanitation Fund. The Township is unaware of any circumstances, including environmental remediation, that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Authority can be obtained from the Authority's governing board.

The Township, in conjunction with Macomb Township, has created the Clinton-Macomb District Library (the "Library"), a separate governmental entity. The Library's board is composed of four members appointed by the Township board of trustees and three members appointed by Macomb Township. The Library is funded through property taxes, specifically through a separate property tax millage that is not recorded as revenue by Clinton Township. The Library currently does not receive a subsidy from the Township. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Library can be obtained from the Library's administrative office at 40900 Romeo Plank Road, Clinton Township, MI 48038.

### Note 13 - Contingencies

The Township may be required to undertake measures to upgrade sanitary sewers in order to be in compliance with the Clean Water Act. According to the Michigan Department of Environmental Quality, actions required by the Township are dependent upon the results of a Waste Water Master Plan currently being completed by the City of Detroit Water and Sewerage Department. Since the recommendations of that study are not yet known, the Township cannot estimate these costs.

**Lawsuits** - The Township is a defendant in various legal actions that have arisen in the normal course of business. In the opinion of management, eventual resolution of these claims will not have a material effect on the Township's financial position or results of operations.

# **Charter Township of Clinton**

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## **Notes to Financial Statements March 31, 2006**

### **Note 14 - Subsequent Event**

Effective July 1, 2006, the Charter Township of Clinton District Court No. 41B will consolidate its operations and accounting activity with the City of Mount Clemens District Court No. 41B to form a separate legal entity. This entity will be a joint venture with the Township, the City of Mount Clemens, and the Charter Township of Harrison. The formation of this entity at July 1, 2006 has no financial impact on the Township as of March 31, 2006.

## **Required Supplemental Information**

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# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,355,500	\$ 2,355,500	\$ 2,336,088	\$ (19,412)
Licenses and permits	1,293,500	1,278,500	1,343,626	65,126
Federal sources	576,733	590,698	519,814	(70,884)
State sources	8,388,500	8,284,500	8,241,291	(43,209)
Interest	220,000	110,000	265,997	155,997
Fines and forfeitures	2,355,724	2,805,000	2,733,723	(71,277)
Other revenue	2,804,486	3,463,118	3,391,194	(71,924)
Total revenue	17,994,443	18,887,316	18,831,733	(55,583)
<b>Expenditures - Current</b>				
General government	5,909,857	6,578,830	6,281,777	297,053
Public safety	1,578,414	1,629,910	1,513,762	116,148
Public works	3,910,906	3,827,007	3,676,431	150,576
Recreation and senior activities	1,646,808	1,646,225	1,585,883	60,342
District Court	2,108,709	2,436,850	2,414,685	22,165
Total expenditures	15,154,694	16,118,822	15,472,538	646,284
<b>Excess of Revenue Over Expenditures</b>	2,839,749	2,768,494	3,359,195	590,701
<b>Other Financing Uses - Transfers out</b>	(2,835,057)	(2,835,057)	(1,820,380)	1,014,677
<b>Net Change in Fund Balance</b>	4,692	(66,563)	1,538,815	1,605,378
<b>Fund Balance - Beginning of year</b>	5,785,146	5,785,146	5,785,146	-
<b>Fund Balance - End of year</b>	<u>\$ 5,789,838</u>	<u>\$ 5,718,583</u>	<u>\$ 7,323,961</u>	<u>\$ 1,605,378</u>



# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2006

		Amended		Variance with
	Original Budget	Budget	Actual	Amended Budget
<b><u>Fire Fund</u></b>				
<b>Revenue</b>				
Property taxes	\$ 13,546,000	\$ 13,515,500	\$ 13,778,283	\$ 262,783
Federal sources	-	26,213	33,048	6,835
Interest	40,000	75,000	238,470	163,470
Other revenue	19,000	106,986	104,819	(2,167)
Total revenue	13,605,000	13,723,699	14,154,620	430,921
<b>Expenditures</b>				
Current - Public safety	12,557,312	12,534,143	12,683,446	(149,303)
Debt service:				
Principal	200,000	200,000	200,000	-
Interest	318,663	318,663	318,688	(25)
Total expenditures	13,075,975	13,052,806	13,202,134	(149,328)
<b>Excess of Revenue Over Expenditures</b>	529,025	670,893	952,486	281,593
<b>Other Financing Uses - Transfers out</b>	(111,189)	(111,189)	(111,186)	3
<b>Net Change in Fund Balance</b>	417,836	559,704	841,300	281,596
<b>Fund Balance - Beginning of year</b>	11,675,533	11,675,533	11,675,533	-
<b>Fund Balance - End of year</b>	<b>\$ 12,093,369</b>	<b>\$ 12,235,237</b>	<b>\$ 12,516,833</b>	<b>\$ 281,596</b>

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Police Fund</u></b>				
<b>Revenue</b>				
Property taxes	\$ 13,490,000	\$ 13,534,000	\$ 13,826,909	\$ 292,909
Licenses and permits	62,000	62,000	59,381	(2,619)
Federal sources	-	20,000	88,310	68,310
State sources	206,300	196,000	213,876	17,876
Other revenue	420,200	602,200	700,007	97,807
Total revenue	14,178,500	14,414,200	14,888,483	474,283
<b>Expenditures - Public safety</b>	16,936,302	16,929,027	16,369,046	559,981
<b>Excess of Expenditures Over Revenue</b>	(2,757,802)	(2,514,827)	(1,480,563)	1,034,264
<b>Other Financing Sources - Transfers in</b>	2,757,802	2,514,827	1,500,000	(1,014,827)
<b>Net Change in Fund Balance</b>	-	-	19,437	19,437
<b>Fund Balance - Beginning of year</b>	9,582,611	9,582,611	9,582,611	-
<b>Fund Balance - End of year</b>	<u>\$ 9,582,611</u>	<u>\$ 9,582,611</u>	<u>\$ 9,602,048</u>	<u>\$ 19,437</u>

# Charter Township of Clinton

## Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions March 31, 2006

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability* (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
03/31/00	\$ 59,925,922	\$ 54,892,942	\$ (5,032,980)	109.2	\$ 11,218,992	(44.9)
03/31/01	63,882,741	57,476,278	(6,406,463)	111.1	11,533,887	(55.5)
03/31/02	67,781,390	60,903,731	(6,877,659)	111.3	11,833,874	(58.1)
03/31/03	68,539,019	65,622,382	(2,916,637)	104.4	13,267,042	(22.0)
03/31/04	68,920,716	69,937,354	1,016,638	98.5	13,664,660	7.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
03/31/01	03/31/99	\$ 1,786,889	100.0
03/31/02	03/31/00	1,754,118	100.0
03/31/03	03/31/01	1,839,220	100.0
03/31/04	03/31/02	1,853,582	100.0
03/31/05	03/31/03	2,345,264	100.0
03/31/06	03/31/04	2,757,359	100.0

The required contribution is expressed to the Township as a percent

## Charter Township of Clinton

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Valuation date	March 31, 2005
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market value

Actuarial assumptions:

Investment rate of return	7.50%
Projected salary increases**	5.0% - 9.0%
** Includes inflation at	4.5%
Cost of living adjustments	None

# Charter Township of Clinton

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## **Note to Required Supplemental Information March 31, 2006**

### **Note - Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except for the fact that other revenue per the General Fund budgetary comparison schedule includes \$1,342,498 of reimbursements from other funds. On the governmental funds statement of revenue, expenditures, and changes in fund balance, those reimbursements are netted against general government expenditures. All annual appropriations lapse at fiscal year end. The budget cycle runs from April 1 to March 31. The annual budget is submitted to the Township board 120 days prior to the beginning of the next fiscal year and approved by the board prior to commencement of the new fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrances are not included as expenditures. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The amount of encumbrances outstanding at March 31, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The major fund budgets are included in the required supplemental information section of the financial statements. The other Special Revenue Fund budgets can be obtained at the Township offices.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Charter Township of Clinton experienced no significant budget variances.

## **Other Supplemental Information**

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# Charter Township of Clinton

Nonmajor Special Revenue Funds							
	Capital Improvement Revolving	Drainage	Community Development Block Grant	Postemployment Benefit	Drug Forfeiture	Street Lighting	Total Special Revenue Funds
<b>Assets</b>							
Cash and investments	\$ 2,334,954	\$ 1,630,104	\$ -	\$ 739,110	\$ 321,739	\$ 563,258	\$ 5,589,165
Receivables:							
Taxes	-	-	-	-	-	-	-
Customers	2,781	-	-	-	-	24,492	27,273
Interest	7,360	-	-	-	-	-	7,360
Other	-	-	-	214,417	-	-	214,417
Due from other funds	-	-	-	-	-	-	-
Due from other governmental units	-	-	43,849	-	-	-	43,849
Prepaid costs	-	-	-	162,370	-	-	162,370
Restricted assets	-	-	-	-	-	-	-
Total assets	<u>\$ 2,345,095</u>	<u>\$ 1,630,104</u>	<u>\$ 43,849</u>	<u>\$ 1,115,897</u>	<u>\$ 321,739</u>	<u>\$ 587,750</u>	<u>\$ 6,044,434</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Vouchers payable	\$ 2,040	\$ 22,491	\$ -	\$ -	\$ 3,318	\$ 23,757	\$ 51,606
Accrued and other liabilities	-	1,500	-	-	-	-	1,500
Due to other funds	-	-	43,849	-	-	-	43,849
Total liabilities	2,040	23,991	43,849	-	3,318	23,757	96,955
<b>Fund Balances - Unreserved</b>							
Reserved for prepaid costs	-	-	-	162,370	-	-	162,370
Unreserved:							
Undesignated	2,083,055	1,606,113	-	953,527	220,921	563,993	5,427,609
Designated	260,000	-	-	-	97,500	-	357,500
Total fund balances	<u>2,343,055</u>	<u>1,606,113</u>	<u>-</u>	<u>1,115,897</u>	<u>318,421</u>	<u>563,993</u>	<u>5,947,479</u>
Total liabilities and fund balances	<u>\$ 2,345,095</u>	<u>\$ 1,630,104</u>	<u>\$ 43,849</u>	<u>\$ 1,115,897</u>	<u>\$ 321,739</u>	<u>\$ 587,750</u>	<u>\$ 6,044,434</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2006**

Nonmajor Debt Service Funds				Nonmajor Capital Projects Funds	
Building Authority	Police Facility	Total Debt Service Funds	Fire Facility	Total Nonmajor Governmental Funds	
\$ 49,093	\$ 215,982	\$ 265,075	\$ 252,673	\$ 6,106,913	
-	136,656	136,656	-	136,656	
-	-	-	-	27,273	
-	-	-	2,060	9,420	
-	-	-	-	214,417	
-	198	198	-	198	
-	-	-	-	43,849	
-	-	-	-	162,370	
-	-	-	657,261	657,261	
<u>\$ 49,093</u>	<u>\$ 352,836</u>	<u>\$ 401,929</u>	<u>\$ 911,994</u>	<u>\$ 7,358,357</u>	
\$ -	\$ 198	\$ 198	\$ 12,223	\$ 64,027	
-	-	-	-	1,500	
<u>3,750</u>	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>47,599</u>	
3,750	198	3,948	12,223	113,126	
-	-	-	-	162,370	
45,343	344,550	389,893	899,771	6,717,273	
<u>-</u>	<u>8,088</u>	<u>8,088</u>	<u>-</u>	<u>365,588</u>	
<u>45,343</u>	<u>352,638</u>	<u>397,981</u>	<u>899,771</u>	<u>7,245,231</u>	
<u>\$ 49,093</u>	<u>\$ 352,836</u>	<u>\$ 401,929</u>	<u>\$ 911,994</u>	<u>\$ 7,358,357</u>	



# Charter Township of Clinton

	Nonmajor Special Revenue Funds						
	Capital	Drainage	Community	Postemployment	Drug	Street Lighting	Total Special
	Improvement Revolving		Development Block Grant	Benefit	Forfeiture		
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315,474	\$ 315,474
Special assessments	64,312	-	-	-	-	-	64,312
Federal sources	-	-	618,072	-	-	-	618,072
Interest	88,538	50,185	-	22,465	8,296	13,103	182,587
Other revenue	-	282,443	-	231,175	104,895	289,240	907,753
Total revenue	152,850	332,628	618,072	253,640	113,191	617,817	2,088,198
<b>Expenditures</b>							
Current:							
General government	259,112	-	618,072	-	-	-	877,184
Public safety	-	-	-	-	93,326	-	93,326
Public works	-	196,377	-	-	-	597,735	794,112
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	259,112	196,377	618,072	-	93,326	597,735	1,764,622
<b>Excess of Revenue Over (Under)</b>							
Expenditures	(106,262)	136,251	-	253,640	19,865	20,082	323,576
<b>Other Financing Sources (Uses)</b>							
Transfers in	286,344	-	-	-	-	-	286,344
Transfers out	(27,500)	-	-	-	-	-	(27,500)
Total other financing sources (uses)	258,844	-	-	-	-	-	258,844
<b>Net Change in Fund Balances</b>	152,582	136,251	-	253,640	19,865	20,082	582,420
<b>Fund Balances - Beginning of year</b>	2,190,473	1,469,862	-	862,257	298,556	543,911	5,365,059
<b>Fund Balances - End of year</b>	<u>\$ 2,343,055</u>	<u>\$ 1,606,113</u>	<u>\$ -</u>	<u>\$ 1,115,897</u>	<u>\$ 318,421</u>	<u>\$ 563,993</u>	<u>\$ 5,947,479</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended March 31, 2006**

Nonmajor Debt Service Funds				Nonmajor Capital Projects Fund	
		Total Debt Service Funds		Total Nonmajor Governmental Funds	
Building Authority	Police Facility			Fire Facility	
\$ -	\$ 1,034,367	\$ 1,034,367	\$ -	\$ -	\$ 1,349,841
-	-	-	-	-	64,312
-	-	-	-	-	618,072
805	5,111	5,916		31,743	220,246
-	-	-		-	907,753
805	1,039,478	1,040,283		31,743	3,160,224
4,915	-	4,915		-	882,099
-	624	624		369,897	463,847
-	-	-		-	794,112
258,020	575,000	833,020		-	833,020
173,546	517,688	691,234		-	691,234
436,481	1,093,312	1,529,793		369,897	3,664,312
(435,676)	(53,834)	(489,510)		(338,154)	(504,088)
431,566	-	431,566		-	717,910
-	-	-		-	(27,500)
431,566	-	431,566		-	690,410
(4,110)	(53,834)	(57,944)		(338,154)	186,322
49,453	406,472	455,925		1,237,925	7,058,909
\$ 45,343	\$ 352,638	\$ 397,981	\$ 899,771	\$ 7,245,231	

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds March 31, 2006

	Pension and Other Employee Benefit Trust Funds			Agency Funds			
	Fire and Police Pension System	Public Employee Healthcare	Total	Tax Collection	Cash Bond	Trust and Agency	Total
<b>Assets</b>							
Cash and investments	\$ 89,580,428	\$ 8,924,244	\$ 98,504,672	\$ 94,620	\$ 491,520	\$ 1,080,281	\$ 1,666,421
Cash and investments held as collateral for securities lending	4,940,427	-	4,940,427	-	-	-	-
Prepaid expenses and other	251,655	-	251,655	-	-	-	-
Total assets	<u>\$ 94,772,510</u>	<u>\$ 8,924,244</u>	<u>\$ 103,696,754</u>	<u>\$ 94,620</u>	<u>\$ 491,520</u>	<u>\$ 1,080,281</u>	<u>\$ 1,666,421</u>
<b>Liabilities</b>							
Benefits payable and other liabilities	\$ 1,067,777	\$ -	\$ 1,067,777	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	94,620	-	-	94,620
Refundable bonds and deposits	-	-	-	-	491,520	1,080,281	1,571,801
Collateral for securities lending	4,940,427	-	4,940,427	-	-	-	-
Total liabilities	6,008,204	-	6,008,204	<u>\$ 94,620</u>	<u>\$ 491,520</u>	<u>\$ 1,080,281</u>	<u>\$ 1,666,421</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>88,764,306</u>	<u>8,924,244</u>	<u>97,688,550</u>				
Total liabilities and net assets	<u>\$ 94,772,510</u>	<u>\$ 8,924,244</u>	<u>\$ 103,696,754</u>				

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended March 31, 2006

	Fire and Police Pension System Trust	Public Employee Healthcare Fund	Total
<b>Additions</b>			
Contributions:			
Employee	\$ 915,381	\$ -	\$ 915,381
Township	2,757,359	-	2,757,359
Total contributions	3,672,740	-	3,672,740
Investment income:			
Interest and dividends	3,072,734	145,346	3,218,080
Net appreciation in fair value of investments	10,564,635	836,556	11,401,191
Less investment expenses	(503,891)	-	(503,891)
Net investment income	13,133,478	981,902	14,115,380
Securities lending income:			
Interest and fees	228,879	-	228,879
Less borrower rebates and fees	(220,098)	-	(220,098)
Net securities lending income	8,781	-	8,781
Total additions	16,814,999	981,902	17,796,901
<b>Deductions</b>			
Benefit payments	3,455,789	-	3,455,789
Administrative expenses	42,966	-	42,966
Total deductions	3,498,755	-	3,498,755
<b>Net Increase</b>	13,316,244	981,902	14,298,146
<b>Net Assets Held in Trust for</b>			
<b>Pension Benefits</b>			
Beginning of year	75,448,062	7,942,342	83,390,404
End of year	<u>\$ 88,764,306</u>	<u>\$ 8,924,244</u>	<u>\$ 97,688,550</u>

# **Charter Township of Clinton Macomb County, Michigan**

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**Federal Awards  
Supplemental Information  
March 31, 2006**

# Charter Township of Clinton

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements for the year ended March 31, 2006 and have issued our report thereon dated May 26, 2006. Those basic financial statements are the responsibility of the management of the Charter Township of Clinton. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

May 26, 2006

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the governmental activities, business type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of and for the year ended March 31, 2006 which collectively comprise the Charter Township of Clinton's basic financial statements and have issued our report thereon dated May 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Clinton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Clinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

May 26, 2006

Report on Compliance with Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

## Compliance

We have audited the compliance of the Charter Township of Clinton with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2006. The major federal programs of the Charter Township of Clinton are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Charter Township of Clinton's management. Our responsibility is to express an opinion on the Charter Township of Clinton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Clinton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Clinton's compliance with those requirements.

In our opinion, the Charter Township of Clinton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

## **Internal Control Over Compliance**

The management of the Charter Township of Clinton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Clinton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Township Board, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

May 26, 2006

# Charter Township of Clinton

## Schedule of Expenditures of Federal Awards Year Ended March 31, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Project/ Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Community Development Block Grant:	14.218			
Program year 2003		B-03-MC-26-0033	\$ 663,000	\$ 313,633
Program year 2004		B-04-MC-26-0033	641,000	250,479
Program year 2005		B-05-MC-26-0033	<u>604,145</u>	<u>53,960</u>
Total U.S. Department of Housing and Urban Development			1,908,145	618,072
U.S. Department of Justice - Bureau of Justice Assistance Law Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	50,000	50,000
U.S. Department of Commerce - National Oceanic Atmospheric Administration Wetland Inventory Grant	11.419	04-6217-04	12,600	1,580
U.S. Department of Transportation - Office of Highway Safety Planning:				
PT05-54(17) Challenge Award	20.604	OHSP 2005-PT-05-54	10,000	10,000
Alcohol Enforcement	20.601	N/A	8,286	8,286
Seatbelt Enforcement	20.600	N/A	<u>20,024</u>	<u>20,024</u>
Total U.S. Department of Transportation			38,310	38,310
Department of Homeland Security:				
Year 2003 State Domestic Preparedness Program:	97.004			
Solution Area Planner		N/A	43,000	3,952
Equipment		N/A	83,336	9,109
Exercise		N/A	17,000	4,183
Regional Response Team Network - Training		N/A	33,048	33,048
Year 2004 State Domestic Preparedness Program:	97.004			
State Homeland Security Grant Program		N/A	430,505	336,942
Law Enforcement Terrorism Prevention Program		N/A	131,228	130,777
Year 2005 State Domestic Preparedness Program:	97.004			
State Homeland Security Grant Program		N/A	297,265	21,208
Law Enforcement Terrorism Prevention Program		N/A	<u>109,081</u>	<u>-</u>
Total State Domestic Preparedness Program			1,144,463	539,219
Emergency Management Assistance Grant (EMAG)	97.067	N/A	<u>12,063</u>	<u>12,063</u>
Total Department of Homeland Security			<u>1,156,526</u>	<u>551,282</u>
Total federal programs			<u>\$ 3,165,581</u>	<u>\$ 1,259,244</u>

# **Charter Township of Clinton**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended March 31, 2006**

### **Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Clinton and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **Note 2 - Loans Outstanding**

At March 31, 2006, the Township had an outstanding loan balance of \$1,290,000 due to the State Revolving Fund, of which \$270,000 is owed to the federal government (CFDA #66.458). The loan was necessary to acquire and construct additions, extensions, and improvements to the Charter Township of Clinton's Sanitary Sewage component of its Water Supply and Sewage Disposal System.

# Charter Township of Clinton

## Schedule of Findings and Questioned Costs Year Ended March 31, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
14.218	U.S. Department of HUD - Direct Programs - Community Development Block Grants
97.004	Department of Homeland Security - Direct Programs - State Domestic Preparedness Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# **Charter Township of Clinton**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2006**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None



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May 26, 2006

To the Board of Trustees  
Charter Township of Clinton  
40700 Romeo Plank Road  
Clinton Township, Michigan 48038

Dear Board Members:

We recently completed our audit of the financial statements of Charter Township of Clinton for the year ended March 31, 2006. In addition to the audit report, we offer the following comments and recommendations for your review and consideration:

### **Financial Condition at March 31, 2006**

During times of revenue reduction, the Township diligently followed the established budget and closely monitored spending. As a result, the Township's annual results improved in comparison to the budget established. We commend the efforts of the Township Board and administration.

### **State Revenue Sharing**

The continued sluggishness in the State's economy continues to directly impact revenue-sharing payments. State-shared revenue accounts for approximately 44 percent of the Township's General Fund revenues. Although the State's sales tax collections (the sole source of revenue-sharing payments to local units of government) have been near what was expected, the State continues to experience budget problems as a result of disappointing collections of state income tax and single business tax. For the time being, local units of government have been spared additional revenue-sharing cuts for the State's fiscal years ending September 30, 2006 and 2007, as the governor's proposed 2006/2007 budget holds the State revenue-sharing payments at approximately the 2004/2005 levels. However, there can be no guarantees that further revenue-sharing cuts will not be made in future periods as the State continues to battle with its budget difficulties.

As a result of the significant uncertainty that surrounds State revenue-sharing payments, we recommend that the Township continue to evaluate the impact of the revenue-sharing reductions as you amend your 2006 budget and plan for your 2007 budget. Updated information can be obtained from the Department of Treasury's website at <http://www.treas.state.mi.us/apps/findrevshareinfo.asp> or by calling the Office of Revenue and Tax Analysis at 517.373.2697. We will continue to update the Township as developments occur.



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## **Retiree Health Care**

As you are aware, the Township provides postemployment benefits for all eligible employees that are funded currently from the General Fund. For the year ended March 31, 2006, the cost of these benefits amounted to approximately \$1,882,000, representing an increase of approximately 22 percent over the 2005 amount.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to the current accounting for the pension systems, the new pronouncement will require the Township to obtain an actuarial valuation of the obligation to provide retiree health care benefits. In addition, the Township’s funding status, or the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. Lastly, we recommend that the Township make an annual contribution equal to the amount that the actuary deems necessary to fund the liability. The changes required under GASB Statement 45 will be effective in 2009. We would be happy to assist the Township in further understanding the provisions of GASB Statement 45 as the implementation date draws nearer.

## **Deposit and Investment Disclosures**

The Governmental Accounting Standards Board recently issued Statement Number 40, *Deposit and Investment Risk Disclosures*, which is effective for the Township's March 31, 2006 year end. GASB Statement 40 amends the current deposit and investment risk disclosures previously prescribed by GASB Statement 3. Under GASB Statement 40, the Township continues to disclose applicable investment risks due to custodial credit risk as well as new disclosures for concentrations of credit risk, interest rate fluctuation risk, and foreign currency risk, if applicable. In addition, the Township must disclose its investment policy addressing each applicable risk.

We have worked closely with the Township treasurer's department on the implementation of GASB Statement 40 and are pleased to report that the Township's investment policy has been amended to address the risks in GASB Statement 40. We applaud the efforts of the treasurer's Department as the Township is one of the few communities in the state of Michigan to have an investment policy that fully complies with this new pronouncement.

### **Wire Transfers**

It is our understanding that the board recently began approving wire transfer payments. Given the increased use of electronic wire transfers as a means of managing investments and paying vendors, we are pleased that the board also reviews the wire transfers in the same manner that the check payments are reviewed.

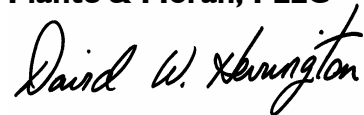
### **Pension Benefit Approval**

During our testing of the Township's pension system, we were unable to locate formal Pension Board approval in the board minutes for one individual that began receiving benefits during the year. We encourage the Pension Board to ensure that all new recipients of pension benefits are appropriately approved as this is an important internal control over the benefit payment process.

We would like to thank the board for the opportunity to serve as auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us by Township administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "David W. Herrington". The signature is written in a cursive style with a large, stylized 'D' and 'H'.

David W. Herrington

A handwritten signature in black ink that reads "Nathan A. Lewis". The signature is written in a cursive style with a large, stylized 'N' and 'L'.

Nathan A. Lewis